GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:960
ANSWERED ON:04.12.2015
Ponzi Schemes
Somaiya Dr. Kirit

Will the Minister of FINANCE be pleased to state:

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(a) whether it is true that Madhya Pradesh High Court in 2012-13 had issued guidelines against 13 major Ponzi companies/schemes and asked the regulators including SEBI to initiate action;
(b) whether the SEBI issued prohibitory orders against few of the above companies but did not see that the orders are executed;
(c) the efforts made by SEBI to see that orders are executed and money is not transferred to other sister companies;
(d) whether SEBI has received any representations from any quarter in this regard; and
(e) if so, the details thereof along with the action taken by SEBI in the matter?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI JAY ANT SINHA)

(a): Yes, Sir.

An order was passed by the Hon"ble High Court of Madhya Pradesh (Gwalior Branch), in the matter of Dharma Vir Singhand Anr. vs. Union ofIndia and Ors. [Writ petition no 3332 of2010(PIL)] whereby the Hon"ble High Court of Madhya Pradesh directed that appropriate action in accordance with Law may be taken against 33 companies mentioned in the order by various authorities including Securities and Exchange Board of India (SEBI).
The Hon"ble High Court of Madhya Pradesh has observed that these companies had received deposits from public by floating various types of plans viz. instalment plan and lump sum payment plan against the sale of land units, plants and that of livestock. The companies entered into contract with the investors and they have committed offences under Section S (1),3(2), and 3(4) ofMadhyaPradesh Nikshepakon Ke Hiton Ka Sanrakshan Adhiniyam-2000, Sections 58B C5 & 5A) & 58C of Reserve Bank of India (RBI) Act, 1934 and Sections 4, 5, 6 of the Prize Chit and Money circulation Scheme (Banning) Act, 1978 and Section 420 ofIndian Penal Code respectively.
SEBI regulates Collective Investment schemes (eIS) as defined under section IIAA of the SEBI Act, 1992. Money circulation schemes are banned under Prize Chit and Money Circulation Schemes (Banning) Act, 1978 [PCMCSB Act]. As per the said Act, State Government is the enforcement agency and SEBI has no role in enforcing the PCMCSB Act. .
(b) & (c): SEBI after completion of examination of the activities of these 33 entities mentioned in the order of Hon"ble High Court of Madhya Pradesh, passed ex-parte interim order against 11 entities for carrying out unregistered Collective Investment Scheme (CIS) activities/deemed public issue of securities and remaining 22 entities were referred to authorities concerned as activities of these entities did not fall under the regulatory purview ofSEBI.
For execution of the order passed by SEBI, SEBI has forwarded the copy of the order to the State Governments concerned, RBI and Ministry of Corporate Affairs (MCA). SEBI also issues press releases on a quarterly basis cautioning investors not to invest in the schemes floated by these unregistered CIS entities.
(d): Out of the 11 entities against whom SEBI has passed interim order, SEBI has received complaints/ reference against certain entities alleging non-compliance of the direction given in the interim order.
(e): The details of entities against whom SEBI has received complaints alleging non-compliance of interim order is placed at Annexure-A
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